

HGL LIMITED
(ACN 009 657 961)

AUDIT COMMITTEE CHARTER

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1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Charter, unless the contrary intention appears:

“**at any time**” means at any time and from time to time;

“**the Auditor**” means the firm appointed as auditor of HGL under Part 2M.4 of the Corporations Act and, in particular, the audit engagement partner within that firm;

“**the Board**” means the board of directors of HGL;

“**CGPR**” means Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council;

“**the Committee**” means the Audit Committee established by resolution of the Board, and whose Charter this is;

“**Director**” means a member of the Board;

“**HGL**” means HGL Limited (ACN 009 657 961);

“**the HGL Group**” means HGL and any entity controlled by HGL (as defined in Accounting Standard “AASB 127: Consolidated and Separate Financial Statements”).

1.2 Assessing when a Director is “independent”

For the purpose of this Charter, the Board may at any time determine that a Director is “independent” by reference to the following definition derived from the guidance in CGPR 2.1. The Board may at any time determine that a Director is “independent” even though that Director does not satisfy one or more elements of the definition set out below if the Board considers that the Director is independent in character and judgment despite such elements not being satisfied. A Director may be regarded as “independent” if the Director:

- (a) is a non-executive Director (that is, is not a member of management); and
- (b) is not a substantial shareholder (that is, a person who has a “substantial holding” as defined in section 9 of CA) of HGL or an officer of, or otherwise associated directly with, a substantial shareholder of HGL; and
- (c) within the last 3 years has not been employed in an executive capacity by HGL or another entity in the HGL Group, or been a Director after ceasing to hold any such employment; and
- (d) within the last 3 years has not been a principal of a material professional adviser or a material consultant to HGL or another entity in the HGL

Group, or an employee of such an adviser or consultant and materially associated with the service provided; and

- (e) is not a material supplier to, or material customer of, HGL or another entity in the HGL Group, or an officer of, or otherwise associated directly or indirectly with, such a supplier or customer; and
- (f) has no material contractual relationship with HGL, or another entity in the HGL Group, other than as a Director of HGL; and
- (g) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of HGL; and
- (h) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of HGL.

1.3 Interpretation

In this Charter:

- (a) italicised notes are not part of this Charter and the Charter may be published at any time with or without any one or more of those notes, and either uniformly or on a selective basis;
- (b) references to the Corporations Act 2001 (Cth) ("CA") include any regulation made under that legislation and are construed as references to any statutory modification or re-enactment for the time being in force;
- (c) references to Australian Securities Exchange Ltd Listing Rules ("LR"), clauses of the constitution of HGL ("cl."), or Best Practice Recommendations of the ASX Corporate Governance Council ("CGPR") are construed as references to those for the time being in force.

2. AUTHORITY

2.1 Source of authority

The Committee is a committee of the Board [cl. 6.16]. The Committee is appointed and authorised by the Board to assist the Board in fulfilling its statutory and fiduciary responsibilities [CGPR 4.1]. The authority of the Committee is sourced from:

- (a) this Charter; and
- (b) separate resolutions passed by the Board at any time; and
- (c) relevant Clauses of the Constitution of HGL.

2.2 Primary responsibility

The Committee is responsible for review and oversight of:

- (a) the integrity of the accounting and financial reporting processes of the HGL Group [*guidance on CGPR 4.3*]; and
- (b) the external audit of the HGL Group [*guidance on CGPR 4.3*]; and
- (c) compliance with applicable accounting standards to give a true and fair view of the financial position and performance of the HGL Group [s. 296(1) and s. 297 CA].

[Under LR 12.7, if HGL is included in the S&P All Ordinaries Index (of the top 500 listed entities by capitalisation) on the first day of HGL's financial year, HGL must have an audit committee throughout that financial year. If HGL is in the top 300 the composition, operation and responsibility of the audit committee must comply with the CGPR.]

2.3 Direct access to Auditor

The Committee has direct access to the Auditor. The Committee may choose to do this at any time without management of the HGL Group being present [*guidance on CGPR 4.3*].

2.4 Direct access to HGL Group employees

The Committee has the authority to seek at any time any information the Committee considers may be relevant to its functions from any officer or employee of the HGL Group [*guidance on CGPR 4.2*]. The board of the entity employing such officers or employees must use its best endeavours to encourage such officers or employees to cooperate fully in the provision of such information.

2.5 Certain individuals have direct access to the Committee

To ensure that all appropriate matters are drawn to the attention of the Committee, each of the following has direct access to the Committee:

- (a) the Chief Executive of HGL;
- (b) the Chief Finance Officer of HGL;
- (c) the Company Secretary of HGL;
- (d) the Auditor;
- (e) the Chair of the Board, if they are not a member of the Committee [*see Clause 3.1(d) below*].

2.6 Investigation

The Committee has the authority to at any time conduct or direct any investigation it considers necessary to fulfil its responsibilities.

2.7 Retain advisers

The Committee has the authority to at any time retain, at the expense of HGL, such legal, accounting or other advisers, consultants or experts, as the Committee

considers appropriate to assist it in meeting its responsibilities [*guidance on CGPR 4.3*].

2.8 Recommendation

The Committee may at any time make recommendations to the Board as it sees fit.

2.9 Sub-committee

The Committee may at any time form and delegate authority to sub-committees, comprised of one or more members of the Committee as it considers necessary or appropriate. Each sub-committee has the full power and authority of the Committee, subject to the terms of its delegated authority [*see cl. 6.16*].

3. MEMBERS OF THE COMMITTEE

3.1 Composition requirements

Membership of the Committee is governed by the following requirements:

- (a) each member of the Committee is appointed by the Board;
- (b) the Committee must comprise at least 3 non-executive Directors [*CGPR 4.2*];
- (c) the chair of the Committee must be an independent Director [*CGPR 4.2, and see Clause 1.2 above and Clause 4.1 below*];
- (d) the chair of the Board may be a member of the Committee, but may not be chair of the Committee [*CGPR 4.2*];
- (e) each member of the Committee must be financially literate (that is, able to read and understand financial statements) [*guidance on CGPR 4.2*];
- (f) at least one member of the Committee must have financial expertise (that is, they are a qualified accountant or other financial professional with experience of financial and accounting matters) [*guidance on CGPR 4.2*].

[CGPR 4.2 calls for a majority of the members of the Committee to be independent. HGL has only one Director who is independent. When HGL is able to comply with this aspect of CGPR 4.2 the Charter will be amended by the Board by inserting a new paragraph between paras (b) and (c) above as follows:

*“(c) a majority of the members of the Committee must be independent, with the determination as to whether a Director is “independent” being made by the Board under **Clause 1.2** above [CGPR 4.2];”.*]

3.2 Term

The term of appointment as a member of the Committee is for a period of one year. Each member of the Committee is eligible for reappointment by the Board, subject to the composition requirements for the Committee.

3.3 Cessation

The Board may at any time remove any individual from the Committee and need not give a reason for doing so. If a member of the Committee ceases for any reason to be a Director, that individual automatically ceases to be a member of the Committee.

3.4 Fees

The services of a member of the Committee are beyond the ordinary duties of a Director. Accordingly, under clause 6.3 (d) of the Constitution of HGL Committee members are entitled to receive remuneration as determined from time to time by the Board (on the recommendation of the Remuneration Committee of HGL).

4. CHAIR

4.1 Appointment

The chair of the Committee must be appointed annually by the Board and must be an independent Director other than the chair of the Board [CGPR 4.2, and see Clause 3.1(c) above].

4.2 Acting chair

If the chair of the Committee is absent from a meeting of the Committee and no acting chair has been appointed, the members of the Committee present at the meeting must choose one of the members of the Committee present, whether independent or not, to chair that particular meeting.

5. SECRETARY

5.1 Appointment

The Committee must appoint an employee from the HGL Group as secretary of the Committee.

5.2 Minutes

The secretary of the Committee must ensure that minutes are taken of meetings of the Committee [guidance on CGPR 4.3]. If the secretary is asked to withdraw for all or any part of any meeting the chair must ensure that minutes are taken in respect of that part of the meeting [see Clause 8.1 below re circulation of minutes].

6. MEETINGS

6.1 Meetings other than in person

The Committee may meet for the dispatch of business, adjourn and otherwise regulate their meetings as they see fit. The Committee may conduct meetings by telephone or other form of communication without a member being in the physical presence of another member or other members [cl. 6.8].

6.2 Frequency

The Committee must meet often enough to undertake its role effectively [*guidance on CGPR 4.3*]. The Committee must meet at least 3 times per calendar year.

6.3 Additional meetings

The chair of the Committee must call a meeting of the Committee if so requested:

- (a) by any member of the Committee; or
- (b) by the Auditor; or
- (c) by the chair of the Board.

6.4 Quorum

A quorum for a meeting of the Committee is 2 members.

7. ATTENDANCE AT MEETINGS

7.1 Usual attendees

Each of the following is expected to attend each meeting of the Committee:

- (a) the Chief Executive of HGL;
- (b) the Chief Finance Officer of HGL;
- (c) representatives of the Auditor;
- (d) the secretary of the Committee.

[*see Clause 7.3 below.*]

7.2 Other attendees

Other members of management of the HGL Group, or parties external to the HGL Group, may be invited to attend any meeting of the Committee.

7.3 Attendees may have to withdraw

An individual who is not a member of the Committee may be asked by the Committee to withdraw for all or any part of any meeting of the Committee.

8. REPORTING BY THE COMMITTEE

8.1 Circulation of minutes

Minutes of each meeting of the Committee must be approved and signed by either the chair of that meeting or the chair of the Committee and then provided to the Board at the next meeting of the Board [*guidance on CGPR 4.3*].

8.2 Reports to the Board

The Committee, through its chair, must report to the Board at the earliest possible Board meeting after each meeting of the Committee. Such report should include any matters that, in the opinion of the Committee, should be brought to the attention of the Board, and any recommendations requiring the approval of the Board.

8.3 Annual and half-yearly financial statements

The Committee should recommend to the Board acceptance of the annual and the half-yearly financial statements of HGL after providing the Board with a report which includes:

- (a) an assessment of the performance and independence of the Auditor, and whether the Committee is satisfied that the independence of the Auditor has been maintained having regard to the provision of non-audit services by the Auditor; and
- (b) an assessment of the management processes supporting external reporting; and
- (c) an assessment of the internal compliance and control systems for financial reporting; and
- (d) an assessment of whether external reporting is consistent with internal information and knowledge and is adequate for the needs of shareholders of HGL [*guidance on CGPR 4.3*].

8.4 Review of Charter

The Committee must, each year, review the adequacy of this Charter and recommend to the Board any changes to the Charter that the Committee considers are desirable.

8.5 Annual performance appraisal

An evaluation of the performance of the Committee and the extent to which the Committee has met the requirements of this Charter will be conducted through the Board's annual performance appraisal process.

8.6 Publication of Charter

Key features of this Charter should be outlined in the corporate governance section of the annual report to shareholders of HGL. This Charter should also be made available by posting it to the website of HGL [*guidance on CGPR 4.4*].

9. PARTICULAR DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

9.1 Overview

The Committee's main responsibilities are grouped below under the following headings:

- (a) accounting practices and external reporting (**Clause 9.2** below);
- (b) external audit (**Clause 9.3** below);
- (c) financial risk management and compliance (**Clause 9.4** below);
- (d) other responsibilities (**Clause 9.5** below).

9.2 Accounting practices and external reporting

The Committee must:

- (a) review the audited annual and half-yearly financial statements, and any reports which accompany published financial statements, with management and the Auditor, in order to recommend their approval by the Board, or when authorised by the Board, to approve their release to regulators and the market;
- (b) review with management significant accounting and financial reporting issues raised by the Auditor;
- (c) review any new or significant changes to existing HGL Group accounting policies and advise the Board of any significant new policies or significant changes in policy;
- (d) ensure that appropriate policies are promulgated and complied with in relation to the regular review of models that calculate financial valuations of assets and liabilities;
- (e) review the controls and processes that are used to reach the opinions provided in certifications of the Chief Executive of HGL and the Chief Finance Officer of HGL [*CGPR 7.3, and see Clause 2.2(c) above*].

9.3 External audit

The Committee must:

- (a) in consultation with management of the HGL Group, review with the Auditor the integrity and effectiveness of the HGL Group's financial reporting systems and controls;
- (b) review the scope of the external audit plan with management of the HGL Group and monitor its implementation;
- (c) review the external audit results with management;
- (d) on at least an annual basis, meet with the Auditor without management being present;
- (e) obtain, at least annually, from the Auditor a formal written statement delineating all relationships between the Auditor and the HGL Group to assess the independence of the Auditor;

- (f) ensure that each of the external audit engagement partner and lead review partner is rotated off the audit of the HGL Group after no more than 5 years and are not re-assigned to the HGL Group's audit for at least 2 years;
- (g) make recommendations to the Board on the appointment, reappointment, removal (and related tendering) of the Auditor, and remuneration of the Auditor;
- (h) with management support, conduct the tender for the role of auditor of the HGL Group whenever the Board resolves that such a tender should be conducted.

9.4 Financial risk management and compliance

The Committee must:

- (a) after taking into account the allocation to the Board of responsibility for review of risk, review the financial risk management internal control systems and compliance processes for accounting and external reporting;
- (b) review any applicable financial sector regulatory requirements and compliance with them;
- (c) review any major reports of financial sector regulators on the operations of the HGL Group and the response of management of the HGL Group to such reports;
- (d) establish and maintain procedures so that relevant matters that come to the attention of the Committee are referred in writing to the Board.

9.5 Other responsibilities

The Committee:

- (a) may need to request or, if approved by the Board, to direct a special project or investigation into a serious issue or significant transaction that falls within the ambit of the overall responsibilities of the Committee;
- (b) must examine any other matters referred to it any time by the Board.

Charter History

1992	Audit Committee established by Board
30 March 2004	Charter approved by Board
27 October 2009	Charter revised to incorporate 2 nd edition of Corporate Governance Principles and Recommendations

